

VZCZCXRO7342
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #5648/01 3550554
ZNR UUUUU ZZH
P 210554Z DEC 07
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 0536
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 7522
RUEHFK/AMCONSUL FUKUOKA 5126
RUEHOK/AMCONSUL OSAKA KOBE 8791
RUEHNAG/AMCONSUL NAGOYA 3830
RUEHKSO/AMCONSUL SAPPORO 5756
RUEHBJ/AMEMBASSY BEIJING 0777
RUEHUL/AMEMBASSY SEOUL 6838
RUCNDT/USMISSION USUN NEW YORK 7534

UNCLAS SECTION 01 OF 10 TOKYO 005648

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 12/21/07

INDEX:

- (1) Poll on Fukuda cabinet, political parties, MSDF Indian Ocean refueling mission (Tokyo Shimbun)
- (2) Government expects resumption of summit diplomacy under South Korean president-elect Lee (Nikkei)
- (3) Discord in three opposition parties; People's New Party rejects meeting of secretaries general (Yomiuri)
- (4) U.S. military ignores primary school in Futenma masterplan (Okinawa Times)
- (5) Goal set under Kyoto Protocol to be achieved, according to implementation program: More than 35 million tons of greenhouse gas emissions to be cut through corporate efforts and "cool-biz" campaign (Nikkei)
- (6) Interviews with Defense Minister Ishiba and military analyst Ogawa on defense equipment procurement (Mainichi)
- (7) Editorial: Fukuda budget falls short on fiscal reform (Nikkei)

ARTICLES:

- (1) Poll on Fukuda cabinet, political parties, MSDF Indian Ocean refueling mission

TOKYO (Page 2) (Abridged)

December 17, 2007

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of the last survey conducted Nov. 5-6.)

Q: Do you support the Fukuda cabinet?

Yes 35.3 (47.0)

No 47.6 (36.6)

Don't know (D/K) + no answer (N/A) 17.1 (16.4)

Q: (Only for those who answered "yes" to the previous question)

What's the primary reason for your approval of the Fukuda cabinet?

Pick only one from among those listed below.

The prime minister is trustworthy 22.9 (23.7)

Because it's a coalition cabinet of the Liberal Democratic Party and the New Komeito 7.5 (5.9)

The prime minister has leadership ability 4.4 (5.3)

Something can be expected of its economic policies 3.2 (1.8)

Something can be expected of its foreign policies 5.9 (5.0)

Something can be expected of its political reforms 2.3 (3.7)

Something can be expected of its tax reforms 1.9 (3.6)

Something can be expected of its administrative reforms 2.4 (2.9)

There's no other appropriate person (for prime minister) 46.6 (42.3)

Other answers (O/A) 0.9 (2.4)

D/K+N/A 2.0 (3.4)

Q: (Only for those who answered "no" to the first question) What's the primary reason for your disapproval of the Fukuda cabinet? Pick only one from among those listed below.

TOKYO 00005648 002 OF 010

The prime minister is untrustworthy 12.5 (9.6)

Because it's a coalition cabinet of the Liberal Democratic Party and the New Komeito 8.4 (13.0)

The prime minister lacks leadership ability 16.5 (8.4)

Nothing can be expected of its economic policies 21.6 (19.5)

Nothing can be expected of its foreign policies 2.7 (2.4)

Nothing can be expected of its political reforms 13.5 (11.1)

Nothing can be expected of its tax reforms 8.4 (10.6)

Nothing can be expected of its administrative reforms 8.7 (12.0)

Don't like the prime minister's personal character 5.2 (6.7)

O/A 1.7 (4.6)

D/K+N/A 0.8 (2.1)

Q: The government has introduced a new antiterror bill to the Diet to replace the Antiterrorism Special Measures Law that expired in November, and the Diet is now deliberating on the bill. This legislation is for the Maritime Self-Defense Force to back up U.S. and other foreign naval vessels in the Indian Ocean with fuel and water supply for a period of one year. The bill this time does not require the government to ask the Diet for its approval of MSDF activities there. Do you support this legislation?

Yes 38.8

No 46.7

D/K+N/A 14.5

Q: The ruling coalition of the Liberal Democratic Party and New Komeito intends to revote on the new antiterror bill in the House of Representatives to enact it into law with a majority of two-thirds or more if the bill is voted down in the House of Councillors. Do you think the House of Representatives should revote on this legislation to enact it into law?

Yes 41.2

No 43.6

D/K+N/A 15.2

Q: (Only for those who answered "no" to the foregoing question) Why? (One choice only)

Because there's no need for refueling activities 36.8
Because it would be better to respect the House of Councillors' decision 35.1
Because it would be better to avoid overriding the House of Councillors' decision 19.6
O/A 3.0
D/K+N/A 5.5

Q: Would you like the current LDP-led coalition to remain in office, or would you otherwise like it to be replaced with a coalition centering on the Democratic Party of Japan (Minshuto)?

LDP-led government 28.5 (40.7)
DPJ-led government 44.7 (35.5)
D/K+N/A 26.8 (23.8)

Q: The current House of Representatives membership is up until September 2009. When would you like the next election to take place for the House of Representatives?

TOKYO 00005648 003 OF 010

Within the year 3.1 (11.0)
During the first half of next year 47.0 (45.5)
During the latter half of next year 26.0 (20.6)
The year after next 12.8 (12.1)
D/K+N/A 11.1 (10.8)

Q: Which political party do you support?

Liberal Democratic Party (LDP) 25.2 (38.2)
Democratic Party of Japan (DPJ or Minshuto) 28.5 (27.5)
New Komeito (NK) 3.1 (3.6)
Japanese Communist Party (JCP) 3.6 (3.3)
Social Democratic Party (SDP or Shaminto) 1.5 (1.9)
People's New Party (PNP or Kokumin Shinto) 0.3 (0.4)
New Party Nippon (NPN or Shinto Nippon) 0.2 (0.1)
Other political parties, groups --- (---)
None 36.0 (23.5)
D/K+N/A 1.6 (1.5)

Polling methodology: The survey was conducted across the nation on Dec. 15-16 by Kyodo News Service on a computer-aided random digit dialing (RDD) basis. Among randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,477. Answers were obtained from 1,033 persons.

(2) Government expects resumption of summit diplomacy under South Korean president-elect Lee

NIKKEI (Page 2) (Full)
December 20, 2007

The Japanese government welcomes the victory of Lee Myung Bak in the presidential election in South Korea. The government anticipates that the inauguration of the Lee administration will give a good chance for Japan and South Korea to resume "shuttle diplomacy" through reciprocal visits between the two leaders and to strengthen bilateral ties in wide areas, including negotiations on a free trade agreement (FTA). The FTA negotiations have been suspended under the incumbent administration of Roh Moo-hyun. The government will carefully watch what approaches the new South Korean government will make to issues with North Korea and Japan's wartime past.

In a press conference yesterday, Chief Cabinet Secretary Nobutaka Machimura said: "I expect Mr. Lee will exert leadership so that relations between Japan and South Korea will be improved further."

The Grand National Party, to which Lee belongs, is a conservative party that led the South Korean political world until 10 years ago. In the party, there are more persons knowledgeable about Japan than in the governing Uri Party, which its members call an open party. The party has adopted an economic policy that gives priority to growth, as well as a diplomatic approach based on the framework of cooperation between Japan, the U.S., and South Korea, similar to

Japan's policy stance.

The political method taken by Lee, who comes from the business world, is viewed as pragmatic. The Japanese government expects the new government will draw a line with the foreign policy by President Roh based on "a concept" or "sentiment."

When Lee visited Japan in November last year, the Japanese government cordially treated him in his meeting with then Prime

TOKYO 00005648 004 OF 010

Minister Abe in anticipation of his cooperation after the presidential election. A senior government official said: "Japan and South Korea will be able to bring their bilateral ties back to normal."

President Roh, who regarded "the settlement of past accounts" as the "top priority issue" pending between the two countries, severely criticized Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine and Japan's stance on the issue of title over the Takeshima/Dokdo islets. During the administration of Prime Minister Abe, Roh expressed a sense of alarm toward Japan's views of history and its hard-line policy toward North Korea. Under such a situation, reciprocal visits to each other's countries by the two leaders have been suspended since June 2005.

Prime Minister Fukuda's policy of prioritizing Asia has been hailed in South Korea, with a government source saying, "Both conservatives and liberals have taken it favorably." Diplomats of the two countries aim to revive shuttle diplomacy with Prime Minister Fukuda's attendance to the presidential inaugural ceremony in Seoul next February and an early visit to Japan by the new president.

Even so, Lee is not fully on board regarding Japan's views of history and its stance on the Takeshima/Dokdo islands. Keeping the general election in South Korea slated for next April in mind, Lee wants to avoid giving an image that he is weak-kneed toward Japan. A senior Foreign Ministry official points out that the fact that he was born in Japan might prompt him to take a tough stance toward Japan for the domestic audience.

Lee is positive about economic cooperation with North Korea to urge the nation for reform and market opening but attaches the precondition that the North gets rid of its nuclear programs and weapons. Lee told Liberal Democratic Party member Koichi Kato and others when they visited South Korea in April: "Japan's extremely strong attitude on the abduction issue might undermine our efforts to resolve the North's nuclear issue." It remains to be seen to what extent Lee will be able to take joint steps with Japan.

(3) Discord in three opposition parties; People's New Party rejects meeting of secretaries general

YOMIURI (Page 4) (Full)
December 21, 2007

Cooperation among opposition parties for the next House of Representatives has not gone well. Although the Democratic Party of Japan (DPJ or Minshuto), the Social Democratic Party (SDP), and the People's New Party (PNP) had planned to hold a meeting on Dec. 20 of their secretaries general, the meeting was cancelled at the request of the PNP. The three parties had also planned to announce that they would cooperate in about 10 single-seat constituencies. DPJ Secretary General Yukio Hatoyama and his SDP counterpart Seiji

SIPDIS

Mataichi confirmed that they would cooperate in the next Lower House election more strongly than that they did in the 2005 election. The SDP and PNP seem to have rebuffed the DPJ, which has filed its candidates in a proactive manner.

The DPJ started at the end of September cooperation with the SDP and PNP. It has pushed ahead with the work in order to determine by the end of the year electoral districts where they would cooperate. The three parties had generally decided that the DPJ would field no

candidates in ten single-seat constituencies since the PNP would file seven candidates and the SDP would slate one to two candidates.

However, with the DPJ's announcement on Dec. 18 of the names of candidates the party has informally decided to field in eight single-seat constituencies, including the Tokyo No. 10 district, the three opposition parties failed to move closely together. Shizuka Kamei of the PNP said: "If a party decides on candidates in a unilateral way, we won't be able to maintain cooperative relations." So, the PNP proposed an extension of the meeting.

Koki Kobayashi, a postal rebel who ran for the 2005 Lower House election as a PNP candidate in the Tokyo No. 10 district, was defeated by former Defense Minister Yuri Koike of the Liberal Democratic Party (LDP). The PNP was considering fielding Kobayashi in the Tokyo No. 10 district, but the DPJ has decided to run Takako Ebata as its candidate.

Although the PNP had asked the DPJ to cooperate for Akihiko Kumashiro to run in the Okayama No. 1 district, the DPJ has informally decided to file new-face candidate Takashi Takai.

The DPJ recommended SDP candidates for seven single-seat constituencies in the 2005 election and 16 electoral districts in the 2003 race. However, coordination between the two parties is running into difficulties.

In the Tokyo No. 6 and Kanagawa No. 12 districts, incumbent lawmakers of the DPJ and SDP will likely run as the two parties have informally endorsed them.

The DPJ is also trying to field new candidates in single-seat constituencies in which incumbent SDP Lower House members are expected to run. Some DPJ members are wary of how election cooperation will turn out, with a senior Election Committee member saying: "Although we have been making efforts to cooperate in the election, we have often faced against each other."

(4) U.S. military ignores primary school in Futenma masterplan

OKINAWA TIMES (Page 2) (Full)
December 21, 2007

GINOWAN-The U.S. Marine Corps' Futenma Air Station is in the U.S. military's air installation compatible use zone (AICUZ), which restricts the use of land in the periphery of U.S. military bases. Ginowan City's municipal government discovered this fact yesterday from a 1992 Futenma airfield masterplan obtained from the United States. The masterplan prohibits U.S. military bases to use land in contiguous areas up to 900 meters from both ends of their runways. In these clear zones, architecturelike housing and schools are not to be located. Actually, however, Futenma Daini Elementary School is located in Futenma airfield's clear zone. "It's a false plan that ignored the elementary school's existence and covered up the facts about the danger of Futenma airfield," Ginowan Mayor Yoichi Iha said in a press conference. The mayor will continue to call for the Japanese and U.S. governments to remove the airfield.

AICUZ is a land use guideline intended to protect the safety of base neighbors and facilitate aircraft flights. However, the masterplan has no description of Futenma Dai-ni Elementary School, which is

TOKYO 00005648 006 OF 010

included in the prohibited zone. In fact, aircraft fly over 'no-fly' zones.

A group of local residents has instituted a class action lawsuit against the government over the danger of Futenma airfield due to buzzing aircraft. The focus is on the airfield's danger closing in on local communities. "They built a runway at Futenma in the 1970s and consolidated its functions as an airfield," Iha said. "But," he added, "the elementary school was opened in the 1960s." He also

said, "The Japanese and U.S. governments knew that there was an elementary school there, but they have left the danger as it is." He asserted, "Futenma airfield is defective, so it should be removed immediately."

Hiromichi Umebayashi, representative of Peace Depot, a nonprofit organization, who is familiar with base issues, said: "The masterplan does not describe anything about the definition of a no-land-use area (to protect local residents), and it only describes something like height limits for the safety of aircraft. I guess they intentionally did not refer to danger zones. They probably created the masterplan the U.S. military wants, and they probably want to use the base as they like."

(5) Goal set under Kyoto Protocol to be achieved, according to implementation program: More than 35 million tons of greenhouse gas emissions to be cut through corporate efforts and "cool-biz" campaign

NIKKEI (Page 3) (Almost full)
December 21, 2007

A draft for a final report that the Ministry of Environment (MOE) and the Ministry of Economy, Trade and Industry (METI) have been preparing in an effort to achieve the goal of cutting greenhouse gas emissions the Kyoto Protocol sets on Japan was revealed on Dec. 20. Japan has further reduced emissions of greenhouse gasses thanks to the reinforced voluntary action program of business circles and national campaigns, such as the "cool-biz" campaign. Their plan is to meet the reduction goal by cutting 35 million tons of greenhouse gasses (in terms of carbon dioxide = CO2) in total.

MOE and METI will release the draft at their joint deliberation meeting to be held on Dec. 21.

The Kyoto Protocol mandates Japan cut the average emissions of greenhouse gasses during the fiscal 2008-fiscal 2012 period by 6 PERCENT compared with the fiscal 1990 level. According to the government estimate, however, even if the present reduction measures work well, results would still fall short of between 20 million tons and 34 million tons. For this reason, the government has considered adopting additional measures at the joint deliberation meeting.

Additional measures include 18-million-ton cuts through a reinforced voluntary action program for companies to address greenhouse gas emissions cuts, approximately 10 million-ton cuts through revisions of such laws as the Energy-Conserving Law and cuts between 67.8 million tons and 10.50 million tons through national campaigns, such as the cool-biz or eco-drive campaigns. More than 35 million tons after subtracting overlapped portions of those measures would be secured to cover the shortage.

With those specific measures taken into account, the final draft

TOKYO 00005648 007 OF 010

notes that the 6 PERCENT cut goal is achievable. The report, however, simply incorporates arguments both for and against the introduction of a domestic emissions trading system, based on a cap and trade formula setting the upper limit of emissions to be observed by companies and allowing them to trade emissions shortage or overage according to the cap imposed on them.

Following this final report, the government will adopt at a cabinet meeting a revised version of the goal achievement program. However, estimated cuts in greenhouse gas emissions based on additional measures have the aspect of a tally of numbers. There is a problem of whether it is possible to implement those measures themselves. In addition, it is not known whether emissions will decrease even if all measures are carried out.

In order to realize the emissions reduction program through the national campaigns, it is necessary for one person to cut up to 90 kilograms of greenhouse gas emissions a year. The next barrier to clear is high regarding to what extent effects can be produced in the household sector.

(6) Interviews with Defense Minister Ishiba and military analyst Ogawa on defense equipment procurement

MAINICHI (Page 4) (Abridged slightly)
December 16, 2007

In the wake of a bribery and corruption case involving a former administrative vice-defense minister over the procurement of defense equipment, the government held a Ministry of Defense (MOD) reform council meeting to discuss ways to secure transparency in defense equipment procurement and other matters. Mainichi Shimbun's Ryuko Tadokoro asked Defense Minister Shigeru Ishiba and military analyst Ogawa about how the procurement system should be reformed.

Defense Minister Shigeru Ishiba -- MOD needs a system through which it can directly procure equipment

Japan relies on foreign countries for a considerable portion of defense equipment. If all equipment was to be produced domestically, given the three principles banning weapons exports, there are limits to reducing the cost by means of mass production and the cost therefore would swell several times. In terms of price and efficiency, importing equipment is necessary. At the same time, Western business customs and laws on contracts are really complex. This can explain why trading houses with knowledge and experience have been involved in the process.

Nevertheless, the uncovered (bill-padding practice) by Yamada Corp. is an unpardonable act of fraud. MOD is a victim. The ministry needs to have the ability to determine when prices are too high. Prices vary according to the difference in wealth between the exporting and importing countries, as well as to the importance of security of the country. Judging prices requires high ability.

Because the matter also concerns defense policy, there is a need to consider a system that will allow MOD to directly procure equipment in a manner that does not go against administrative reform. We would like to come up with a direction after discussing the matter for a year or two instead of a month or two while keeping national interests in mind.

TOKYO 00005648 008 OF 010

In 1998, a breach-of-trust case involving the former Central Procurement Office occurred, in which domestic manufacturers played a central role. In the latest case of equipment imports, trading houses were involved. Lessons learned in the previous case were not that helpful.

It is acceptable for retired Self-Defense Force officers to find employment at manufacturers or trading firms by utilizing their expertise. It is not good, however, for the ministry to award (trading houses) contracts in return for hiring so many retired SDF officers. In other countries, conventional forces are small because retired soldiers join the reserves and enter active service in times of contingencies. Such is not the case in Japan. In discussing equipment procurement, we should ask if the current system should be upheld.

Cozy ties between lawmakers lobbying for defense interests and defense contractors have often been pointed out. A lawmaker can say such and such a fighter jet is necessary either because he received payoffs from a certain company or because he has national security in mind. The question is whether such a statement was made in a discussion at a public arena.

I do not know any case in which lawmakers conducted such a discussion on procurement either at political parties or at the Diet. If legislators do not discuss Japan's security environment because they cannot understand it, that is abnormal.

Military analyst Kazuhisa Ogawa -- Organization that can spot irregularities needed

I would like to propose procedures that are viable. It is not possible for MOD and the SDF to have the necessary groups of

professionals specializing in procurement and R&D overnight. So it is rational to let trading houses intervene in procurement for the time being while expecting them to play a role in information-gathering at the same time.

The ministry needs to quickly form a group of people to check irregularities; it does not have to be big. At the same time, let a private-sector or semi-governmental group of experts verify if the ministry's checking system is functioning properly. That will be the first step.

Saying that because duties are special, a special procurement system resulted in malfeasance is an excuse. Although naturally military secrets are involved, I believe all offices are basically the same.

SIPDIS

At the root of this problem lies Japan's democracy, which is not functioning properly. Japan is void of a high-level organization, like the U.S. Government Accountability Office (GAO) that combines the functions of account audit and administrative inspection. Japan's Board of Audit and the Internal Affairs and Communications Ministry Administrative Evaluation Bureau do not have the ability to see military strategy. The three principles banning weapons exports are partially affecting procurement, but the ministry should not complain about it.

There exist collusive ties between MOD/SDF and the defense industry with the former, from young retirees to higher-ups, anticipating taking cushy jobs at defense firms and the latter expecting receiving orders in return. Years ago, a breach-of-trust scandal

TOKYO 00005648 009 OF 010

involving the former Central Procurement Office occurred. But the case was closed by just tampering with the organization and replacing some officials. A sense of intensity is lacking.

It is also serious that domestically produced weapons have flaws. Because there is no strategy for the development and procurement of weaponry, the operational side is ill-prepared, and the size of the Technical Research and Development Institute is too small and the level is hardly high. Even if other countries are said to be developing specific weapons by looking at 15 years ahead, funds are not available unless there are actual weapons. That is because MOD does not have the ability to judge invisible information. There is no other option but to aim at prototypes developed by other countries. The Diet and the media are also inattentive and cannot understand the situation properly, and the system has not been improved.

The Japan-U.S. alliance has also cast a pall. Japan's R&D and procurement of defense equipment has been sacrificed at times by trade disputes between Japan and the United States. What was necessary has not always been the viewpoint.

(7) Editorial: Fukuda budget falls short on fiscal reform

NIKKEI (Page 2) (Slightly abridged)
December 21, 2007

The Finance Ministry yesterday announced a draft budget for fiscal 2008 - the first compiled under Prime Minister Fukuda. The ministry has curbed the issuance of new government bonds by 84 billion yen from the current fiscal year's level to approximately 25.3 trillion yen for the fourth straight annual decline. The draft budget is full of stopgap measures that will be effective only in fiscal 2008, out of consideration to the ruling camp's call for expanding government spending. The supplementary budget for this fiscal year also shows slack discipline, falling short on fiscal reconstruction efforts.'

The draft budget totals slightly more than 83 trillion yen and allocates approximately 47.28 trillion yen in general expenditures - core policy-related outlays, up 0.2 PERCENT and 0.7 PERCENT, respectively. Meanwhile, the ministry plans to slash public works spending by 3.1 PERCENT and outlays for official development assistance by 4 PERCENT, in accordance with the five-year

spending-cut plan set by the Koizumi administration in 2006.

Under the draft budget, annual tax revenues are expected to increase only slightly to 53.5 trillion, and the deficit in Japan's primary balance is projected to expand 750 billion yen. It will become more difficult to meet the government's goal of turning the balance into the plus column by fiscal 2011.

A close look at the draft budget reveals that it is full of unreasonable tricks, as represented by outlays for social insurance programs, which account for 46 PERCENT of the total general expenditure. To meet the target to curb spending by 220 billion yen, the ministry plans to slash part of the national burden of contribution to the government's health insurance program and levy the decreased portion on private-sector health insurance unions. But outlays for medical service fees will be raised by 0.38 PERCENT in response to calls by the Japan Medical Association, which has enormous political clout.

TOKYO 00005648 010 OF 010

In the education budget, as well, in response to a call by the education-policy clique in the Diet for a significant increase in the number of elementary and junior high school teachers under the banner of education rebuilding, the Finance Ministry has decided to increase the number of part-time teachers. In the medical service and education sectors, discussion on "quality" has been left behind.

Tax grants to local governments will be increased by 4.6 PERCENT, affected by the 400 billion yen set aside to finance measures to narrow the revenue disparity between urban and rural areas. This policy is apparently aimed to woo support in the next House of Representatives election.

The draft budget proposes reducing outlays for the agriculture, forestry and fisheries sectors by 70 billion yen, but 80 billion yen has been earmarked as outlays for promptly revitalizing agriculture in the supplementary budget for this fiscal year. It has been decided to freeze a plan to raise the burden of medical service payment by elderly patients, but the financial source to cover that portion also will depend on the supplementary budget.

The Finance Ministry racked its brains over how to curb the issuance of new government bonds in an effort to underscore a "reform-oriented budget." But the small reduction in government bond issuance will be promptly offset according to changes in the economic situation and interest rates.

The ministry proposes disbursing nearly 10 trillion yen from the reserves in the special account for public investment and loans to reduce public debts, the outstanding government bonds will increase to 553 trillion yen.

DONOVAN